

# **Topic 18: *Financing Health Care for Older Adults***

## **Competencies**

- 1.** Differentiate among Medicare, Medicaid, and the Older Americans Act and discuss the essential elements of each and their relevance to care of older adults.
- 2.** Discuss the financing for primary care, hospital care, home care, and nursing home care of older adults.
- 3.** Discuss how financing drives choice of health-care plan, setting, and extent of care.
- 4.** Identify research priorities related to quality and cost of care for older adults.



# Topic 18: *Financing Health Care for Older Adults*

## Content Outline

### 1. Differentiate among Medicare, Medicaid, and the Older Americans Act and discuss the essential elements of each and their relevance to older adults.

	<i>Medicare</i>	<i>Medicaid</i>	<i>AOA</i>
Source of financing	Federal	State	Federal
Financial eligibility	Entitlement <sup>1</sup>	Means tested <sup>2</sup>	Entitlement
Age eligibility	65 and older <sup>3</sup>	All ages	65 and older
Program administration	Insurance companies	State	Area Agencies on Aging
Services:			
Preventive services	Primary payer <sup>8</sup>	State by state	Minimal
Primary care	Primary payer	No <sup>4</sup>	No
Hospital	Primary payer	No <sup>4</sup>	No
MD/NP	Primary Payer	No <sup>4</sup>	No
Home care	Short term, skilled <sup>5</sup>	Long-term care	Minimal
Nursing home	Short term, skilled	Primary payer	No
Hospice	Primary payer	No	No
Social services (meals; Senior Centers; ombudsman)	No	State by state	Primary payer
Day care	Minimal	Primary payer	No
Medications	No <sup>6</sup>	State by state	No
Assistive devices	Yes	State by state	No
Glasses	No <sup>6</sup>	State by state	No
Hearing Aids	No <sup>6</sup>	State by state	No
Dental care	No	State by state	No
Durable medical equipment <sup>7</sup>	Primary payer	State by state	No

Note: Many elderly people have private insurance or have Medi-Gap.

<sup>1</sup>Almost everyone 65 and over eligible irrespective of income

<sup>2</sup>Eligibility based on income

<sup>3</sup>Covers some people younger than 65, for example people on dialysis

<sup>4</sup>Some state Medicaid programs pay for these services irrespective of age

<sup>5</sup>Primarily rehab, wound care, injections, catheter care

<sup>6</sup>Covered under some Medicare capitated (HMO) programs (Medicare + Choice)

<sup>7</sup>Walker, cane, bathroom grips, raised toilet seat, commode, feeding devices, etc.

<sup>8</sup>Entity first responsible to pay part or all of cost



# **Topic 18: *Financing Health Care for Older Adults***

## **Content Outline**

### **2. Discuss the financing for primary care, hospital care, home care, and nursing home care of older adults.**

A. The basic elements of payment for *primary* care services for older adults are:

1. Medicare is the main payer for primary care services of physicians and nurse practitioners.
  - Medicare has options of fee for service and capitated (HMO) plans (Medicare + Choice).
  - Medicare covers office visits, ambulance services, emergency room care, and visits in the home, hospital and nursing home.
  - Medicare reimburses physicians and nurse practitioners (at 85% of physician rate).
2. Medicare covers some preventive services: immunizations, mammography, prostate screening, colonoscopy, and so on.
3. Medicare does not cover medications, dental services, eyeglasses, hearing aids, exercise programs (except in some capitated programs).
4. Medicare deductible means that Medicare does not fully cover physician and other services; most older people carry supplemental insurance, called Medi-Gap insurance
5. Medicaid does cover medications, eyeglasses, and hearing aids for older people in some states.



# Topic 18: *Financing Health Care for Older Adults*

## Content Outline

6. Limitations in primary care services for older adults are:
  - Low Medicare reimbursement for geriatric nurse practitioners and geriatricians.
  - Neither Medicare nor Medicaid reimburses for geriatric interdisciplinary team activities.
  - Medicaid is “means”-tested; people must meet state income limits in order to qualify for Medicaid-reimbursed primary care.
- B. The basic elements of *hospital* payment for older adults are:
  1. Medicare is the primary payer for hospital care, both in-hospital services and physician/nurse practitioner services.
  2. Medicare deductible means that Medicare does not fully cover physician and other services; most older people carry supplemental insurance, called Medi-Gap insurance.
  3. Limitations in hospital payment for older adults. Shortened hospital lengths of stay as a result of prospective payment means that some older people still require acute care services at time of discharge. Whether and where people receive these acute care services influences short- and long-term recovery.



# Topic 18: *Financing Health Care for Older Adults*

## Content Outline

C. The basic elements of *home-care* payment for older adults are:

1. Medicare is the primary payer for short-term (typically 3 months or less) skilled nursing care in the home.
  - Skilled nursing care in the home usually means rehabilitation services; wound and catheter care; and teaching patient and family to give injections.
  - Medicare-covered services include a registered nurse (RN); physical and occupational therapy; home health aides; durable medical equipment; and physician and nurse practitioner services.
2. Medicaid pays for long-term home health care.
  - The type and amount of care available varies from state to state.
  - Medicaid-covered services pay for primarily home health attendants, and on occasion physician, nurse practitioner, and professional nursing home visits.
3. Most home care is delivered and paid for by the older person and their family.
4. Limitations in home care services for older adults are:
  - Medicare reimburses only for skilled care.
  - Low Medicare reimbursement for geriatric nurse practitioners and geriatricians.
  - Because Medicaid is means tested, people must meet state income limits in order to qualify for Medicaid reimbursed home care services.



# Topic 18: *Financing Health Care for Older Adults*

## Content Outline

D. The basic elements of *nursing home* payment for older adults are:

1. Medicare pays for short-term (typically 100 days or less) skilled nursing home care for patient who is medically unstable.
  - Skilled care usually means rehabilitation services, wound and catheter care, teaching patient and family to give injections.
  - A person must be able to participate in rehabilitation in order to qualify for Medicare nursing home care.
2. Medicaid pays for long-term nursing home health.
  - The type of care that is reimbursable varies from state to state.
  - Medicaid nationally pays for approximately 45% of all nursing home care.
3. Approximately 40% of all nursing home care is paid for by older people and their families out-of-pocket.
4. Limitations in nursing home payment for older adults include:
  - Medicaid is “means”-tested; people must meet income limits in order to qualify for Medicaid reimbursed long-term nursing home placement.
  - Lack of communication and clarity of reimbursement between Medicare and Medicaid results in the frequent and often unnecessary transfer of nursing home residents from the nursing home to the hospital.



# Topic 18: *Financing Health Care for Older Adults*

## Content Outline

E. The basic elements of hospice payment for older adults are:

1. Medicare is the primary payer of hospice services for the elderly.
  - Eligibility for Medicare hospice is based on a person's anticipated death within 6 months.
  - Hospice services can be delivered at home, in a hospital or nursing home, or in a hospice facility.
  - Hospice services include aggressive pain and symptom management.
  - Older people with diseases such as cancer, heart disease, chronic obstructive pulmonary disease, and dementia qualify for Medicare hospice benefits.
2. Limitations in Medicare Hospice payments include:
  - Tends to focus on cancer rather than other diagnoses.
  - Hospice criteria make people reluctant to access hospice in a timely fashion. On average, people receive Medicare hospice for only a few days prior to death.

F. The basic elements of social services for older adults are:

1. Families are the primary source of social services for the elderly.
2. The Older Americans Act is the primary source of publicly-financed social services for older adults.



# **Topic 18: *Financing Health Care for Older Adults***

## Content Outline

- The Older Americans Act is administered by each state and then locally through Area Agencies on Aging (AAA).
- In most communities, Senior Centers serve as the AAA.
- Under the Older Americans Act, AAA must deliver: congregate meals, meals on wheels, transportation services, and ombudsman services.

3. Limitations in social services for the elderly include:
  - Funding is very limited for social services under the Older Americans Act.
  - Older people may qualify for services, but these services may not be available.

### **3. Discuss how financing drives choice of health-care plan, setting, and extent of care.**

Summarize the limitations section from each of the previous sections and discuss.

### **4. Identify research priorities related to quality and cost of care for older adults.**

- A. Health promotion activities and cost savings.
- B. Home care versus nursing home care.





# Topic 18: *Financing Health Care for Older Adults*

## Content Outline

### GLOSSARY

**Capitation:** A lump-sum payment to a health-care provider per patient no matter how much health care is provided to a patient. Example: A nurse practitioner is given \$1,000 a year per patient whether or not she sees the patient once a year or 15 times a year and irrespective of the number of diagnostic tests performed.

**Durable Medical Equipment:** Equipment that a patient needs for medical purposes such as canes, walkers, hospital bed at home, crutches.

**Fee for Service:** A payment to a health-care provider for each service (i.e., visit or test) that is performed. Payment is based on individual components of care with no limit on the total cost of care.

**Health-Care Provider:** Refers to any professional or para-professional that provides health-care services. For example: nurse practitioner, doctor, nurse's aide, dentist, physical therapist.

**HMO:** Health Maintenance Organization. Comprehensive health-care insurance using designated providers that requires membership of patients and uses a capitation basis for payment to designated providers.

**Length of Stay:** The number of days a patient is in a health-care facility.

**Means Test:** A measure of a person's financial assets. It is used to determine eligibility for some state benefit programs.



# Topic 18: *Financing Health Care for Older Adults*

## Content Outline

**Medi-Gap:** A type of private insurance that pays expenses that are not paid by Medicare.

**Ombudsman Services:** Advocates in states and localities that can advise you on your rights and potential resources for health-care services.

**Out-of-Pocket Expenses:** Money that a patient pays directly to a health-care provider or institution that may or may not be reimbursed by an insurance program.

**Primary Care:** Clinicians providing integrated health-care services, addressing a large number of health care needs, developing a sustained partnership with patients, and practicing in a family and community context.

**Primary Payer:** Person or insurance company responsible for paying for the greatest proportion of a health-care service.

**Reimbursement:** Payment by insurance plans for health-care costs that are sent either directly to the hospital, health-care provider, or laboratory or to the patient to refund out-of-pocket expenses.

**Risk:** The measure of chance concerning financial loss or insufficient health care coverage in delivering contractual services. Important consideration in capitation plans.



# **Topic 18: *Financing Health Care for Older Adults***

## **Experiential Activities/ Clinical Experiences**

1. *Discharge planning:* Accompany a patient and or family to speak with the hospital discharge planner or social worker to arrange home- or nursing home care.
2. *Web search:* Search the Web to gain information about Medicare and Medicaid eligibility and services for older people.
3. *Site visit:* Visit a Senior Center to interview administrators and participants about services provided.
4. *Interview:* Query older patients to determine the extent payment affects health promotion and health prevention activities (dental, eye and hearing evaluation), and ability to buy medications.
5. *Contact:* Contact several Medicare + Choice programs in your area to determine what services are covered.
6. *Planning:* Prepare a discharge plan for an older patient in the hospital, including eligibility for Medicare services.



# **Topic 18: *Financing Health Care for Older Adults***

## Evaluation Strategies

The criterion for evaluation here is to see if the student has gained increased knowledge and appreciation of health-care financing for the elderly: Medicare, Medicaid, and the Older Americans Act.

1. Have students report on the activities suggested in experiential activities.
2. Incorporate test questions on examinations based on chart on page 18-2 that compares and contrasts Medicare, Medicaid, Older Americans Act and private insurance.



# Topic 18: *Financing Health Care for Older Adults*

## Resources

Amaradio, L. (1998, Winter). Financing Long-Term Care for Elderly Persons: What Are the Options? *Journal of Health Care Finance*, 25(2), 75–84.

Beers, M., and Berkow, R. (2000). *The Merck Manual of Geriatrics* (3rd ed.). Whitehouse Station, NJ: Merck and Co.

Institute of Medicine. (1996). In M. S. Donaldson, K. D. Yordy, K. N. Lohr, and N. A. Vanselow (Eds.), *Primary Care: America's Health in a New Era* (p. 1). Washington DC: National Academy Press.

Kovner, A., and Jonas, S. (Eds.). (1999). *Health Care Delivery in the United States* (p. 540). New York: Springer.

Maddox, G. et al. (Eds.). (2001). *The Encyclopedia of Aging* (3rd ed.). New York: Springer Publishing Company.

Mezey, M. et al. (Eds.). (2001). *The Encyclopedia of Elder Care*. New York: Springer Publishing Company.

Pauly, M. V. (2000, Spring). The Medicare Mix: Efficient and Inefficient Combinations of Social and Private Health Insurance for U.S. Elderly. *Journal of Health Care Finance*, 26(3), 26–37.

Ross, M. E. T., and Wright, M. F. (1998). Long-Term Care for Elderly Individuals and Methods for Financing. *Journal of Community Health Nursing*, 15(2), 77–89.

### Associations

The American Association of Homes and Services for the Aging  
[www.aahsa.org](http://www.aahsa.org)

The American Association of Retired People  
[www.aarp.org](http://www.aarp.org)

The HCFA/Medicare  
[www.medicare.gov](http://www.medicare.gov)  
[www.hcfa.gov](http://www.hcfa.gov)

The National Academy on Aging  
[www.geron.org](http://www.geron.org)

Social Security Administration  
[www.ssa.gov](http://www.ssa.gov)



